

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:)	
)	No.: 04-102
FARMERS MUTUAL FIRE INSURANCE)	
COMPANY OF JEFFERSON COUNTY)	

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-22-101, *et seq.* and 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc. (hereinafter also referred to as the "Company"), a county mutual fire insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2002, the examiner-in-charge filed with the Division, on the 13th day of August, 2004, a verified, written report on examination, and a copy of that report has been sent to Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc. (The Report of Examination of Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc., is attached hereto and marked as Exhibit A). The Division received no written rebuttal to said examination report from the Company.

Pursuant to Tenn. Code Ann. § 56-22-132, said examination report regarding the affairs of Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc., filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 13th day of August, 2004, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

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Dept. Of Commerce & Insurance
Company Examinations

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-22-130 by ceasing to compensate those officers or other persons whose duty it is to determine the character of risk and upon whose decision the application shall finally be accepted or rejected by way of a commission upon the premium.
2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-22-112 by refraining from creating debts of any kind except for the payment of losses. This includes, but is not limited to, ceasing to create debts to pay for expense payments and employees' health insurance coverage and other business expenses.
3. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-103 by taking such steps as might be necessary to ensure that no director or other officer or member of a committee having any authority in the investment or disposition of its funds shall accept, or be the beneficiary of, either directly or remotely, any fee, brokerage, commission, gift, or other consideration for or on account of any loan, deposit, purchase, sale, payment, or exchange made by or in behalf of the Company, or be pecuniarily interested in any such purchase, sale, or loan, either as borrower, principal, coprincipal, agent or beneficiary.
4. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-22-126 by having not less than six (6) policyholders, and not more than fifteen (15) policyholders, on the Company's Board of Directors, with the entire Board comprised solely of such policyholders.
5. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-405 and the standards of Cash Basis Accounting by considering as admissible assets only those assets that are or can be made available for the payment of losses in Tennessee.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc. for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 26th day of October, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

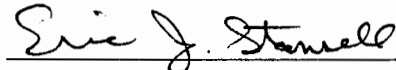
PREPARED FOR ENTRY:

Eric J. Stansell

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Farmers Mutual Fire Insurance Company of Jefferson County, Tennessee, Inc., 1205 Gay Street, Dandridge, Tennessee 37725, on this the 28th day of October, 2004.



Eric J. Stansell
Certifying Attorney